

TOWN OF VINEYARD

FINANCIAL STATEMENTS

JUNE 30, 2006

TOWN OF VINEYARD
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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Honorable Town Council
Town of Vineyard
Vineyard, UT

December 20, 2006

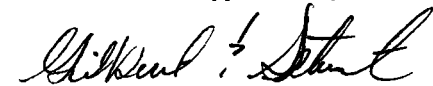
We have audited the accompanying financial statements of the governmental activities, and each major fund of the Town of Vineyard as of and for the year ended June 30, 2006 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Vineyard's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Vineyard as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2006 on our consideration of the Town of Vineyard's internal control over financial reporting and on our test of its compliance with certain provisions, laws, regulations, contracts, and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budget comparison, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



GILBERT & STEWART
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Vineyard, we offer readers of Vineyard's financial statements this narrative overview and analysis of the financial activities of the Town of Vineyard for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,325,476. Fund Balances are divided as follows: \$383,632 is unreserved in the General Fund, and \$1,905,827 is unreserved in the Capital Projects Fund. Total governmental funds decreased by \$293,302 from the prior year.
- The total net assets of \$5,478,020 are made up of \$3,136,605 in capital assets net of related debt and \$2,341,415 in other net assets. Total net assets increased by \$211,777 from the prior year.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town of Vineyard's basic financial statements. Vineyard's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Vineyard's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Vineyard's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Vineyard is improving or deteriorating. However, you will also need to consider other non-financial factors.

- *The statement of activities* presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Vineyard that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Vineyard also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town only has two governmental funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the General Fund and Capital Projects Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case Vineyard's assets exceed liabilities by \$5,478,020.

Vineyard's net assets reflects (50.01%) in its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the Town's net assets. Comparative figures for Fiscal Years 2005 and 2006 are shown.

	Governmental Activities	
	2006	2005
Current and other assets	\$ 2,590,723	\$ 2,741,432
Capital assets	3,136,605	2,633,872
Total assets	5,727,328	5,375,304
Total Liabilities	249,308	109,061
Net assets:		
Invested in capital assets, net of rel. debt	3,136,605	2,633,871
Restricted	36,017	
Unrestricted	2,305,398	2,632,371
Total net assets	\$ 5,478,020	\$ 5,266,242

	Governmental Activities	
	2006	2005
Revenues:		
Program Revenues:		
Charges for Services	\$ 107,986	\$ 10,319
Capital grants and contributions	242,291	19,232
General Revenues:		
Property Tax	117,940	201,828
Sales and Use Tax	43,808	60,536
Franchise Tax	7,222	17,018
State Liquor Tax	47	42
Unrestricted Investment Earnings	108,959	61,407
Total Revenues	628,253	370,382
Expenses:		
Current:		
General Government	326,478	173,815
Public Safety	14,812	14,812
Highways and Public Works	42,340	34,732
Parks and Recreation	32,846	20,900
Total Expenses	416,476	244,259
Increase in net assets	211,777	126,123
Net assets - beginning	5,266,243	5,140,119
Net assets - ending	\$ 5,478,020	\$ 5,266,242

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the Town's financing requirements. As of the June 30, 2006, the Town's governmental funds (General & Capital Projects) reported combined fund equity of \$2,325,476. This represents a decrease of \$293,302 over last year's ending balances. The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 41% of total general fund revenues. The largest element of taxes is property taxes as it has

been for the last several years. It represents 67% of total tax revenues and 28% of total general fund revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The town of Vineyard had originally budgeted for revenues of \$212,840 and expenses of \$217,250. During the fiscal year, the town did not amend the budget.

The General Fund actual revenue of \$625,908 was \$413,068 more than the budgeted amount of \$212,840. Actual expenditures of \$371,889 were over budget by \$154,639.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The Town of Vineyard's investment in capital assets for its governmental activities as of June 30, 2006 amounts to \$3,136,605 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, and infrastructure (streets, sidewalks, curb and gutter, etc.).

Vineyard Town has amended the General Plan to allow residential development of 1,011 homes to be built on 319 acres on what was agricultural zoning. The Town has purchased a 500,000 gallon water storage capacity in the new Orem City 20 million gallon water storage tank through the Orem/Vineyard water agreement at a percentage equal to the amount of \$465,000. This will provide 500 water connections for new homes and business development. Other areas of development include the 276 square foot renovated Town Hall space providing room for two more staff members in preparation for growth; a new water line installation on 620 East which will provide a way to connect the current residents on 400 South and Holdaway Road and the properties adjacent to 620 East to be developed in the future to Orem water system; and the engineering of a water system design to provide a plan to connect the current residents in connection to CDBG Grant. Vineyard has also made improvements to the current J. Rulon Gammon Vineyard Town Heritage Park.

	Governmental Activities	
	2006	2005
Land	1,430,388	1,430,388
Water Stock	399,952	399,952
Buildings	567,709	538,369
Improvements Other Than Buildings	39,698	24,496
Equipment	16,245	16,245
Infrastructure	947,481	947,481
Construction in progress	505,446	
Total Assets	<u>\$ 3,906,919</u>	<u>\$ 3,356,931</u>

Additional information on the Town's capital assets can be found in the notes to this financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The fiscal year 2006-2007 for Vineyard Town is year of planning and infrastructure in preparation for housing and commercial development. The Town is continually

amending the general plan in effort to allow more residential zoning in what is now zoned for agriculture use.

After the bankruptcy courts awarded the Geneva Steel property to a developer in the fiscal year 2005-2006, the Town and developer are looking forward to meet in fiscal year 2006-2007 to go over a mutual vision of the property for a mixed-use development of commercial, office, retail, housing.....

The Town is currently planning and preparing to lay a foundation for future growth. In an effort to build infrastructure the town is working on a master street plan, cross sections, easements, standard design booklet, water and sewer connections, etc.....

In an addition to Orem/Vineyard 600 sewer connection agreement, the town has recently signed an agreement with Timpanogos Special Service District (TSSD) to allow for 7,666 sewer connections. Orem/Vineyard also has an agreement for 500 water connections and the Town is currently working on solutions for additional water connections with state and local agencies in an effort to sign a water agreement by the end of the fiscal year 2006-2007.

The Town is in the process of designing a new public facility building which will be a three bay fire station to be located on the West side of Vineyard. It is expected to be completed in the year 2007-2008.

The 350 million dollar Lake Side Power Plant, a well-publicized natural gas-fired plant, broke ground in fiscal year 2005-2006 and is expected to be completed by the end of the fiscal year 2006-2007. It will serve as a regional power plant and the power needs of surrounding regions. As the plant nears completion the valuation of the property has also increased and has added to the property tax revenue of the Town.

The Town has awarded a contract in fiscal year 2006-2007 to install a planned water line through a CDBG grant on 400 South and Holdaway Road to current residents that are using wells as their main water source.

The Town has planned and budgeted administratively to add four additional staffs members in preparation for growth as deemed necessary. The Town is also planning to further expand the building inspection department.

The Town authorized a decrease in the certified property tax rate to decrease it from .004736 to .002037.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Vineyard's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Vineyard, 240 E. Gammon Rd., Vineyard, UT 84058.

BASIC FINANCIAL STATEMENTS

TOWN OF VINEYARD
Statement of Net Assets
June 30, 2006.

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 2,361,462
Accounts Receivable, net	229,261
Capital Assets (net of accumulated depreciation):	
Land	1,430,388
Water Stock	399,952
Buildings	395,441
Improvements Other Than Buildings	30,698
Equipment	-
Infrastructure	374,680
Construction in Progress	505,446
Total Assets	<u>5,727,328</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	29,130
Deferred Revenue	195,178
Deposits	25,000
Total Liabilities	<u>249,308</u>
NET ASSETS	
Invested in Capital Assets, net of related debt	3,136,605
Restricted For:	
Class C Roads	36,017
Unrestricted	2,305,398
Total Net Assets	<u><u>\$ 5,478,020</u></u>

See accompanying notes to the financial statements

TOWN OF VINEYARD
Statement of Activities
For the Year Ended June 30, 2006

<u>Function/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenues & Changes in Net Assets</u>
	<u>Charges for Services</u>	<u>Operating</u>	<u>Capital</u>	<u>Governmental Activities</u>	
		<u>Grants and Contributions</u>	<u>Grants and Contributions</u>		
Primary government:	<u>Expenses</u>				
Governmental Activities:					
General Government	\$ 326,478	\$ 97,530	\$ -	\$ -	\$ (228,948)
Public Safety	14,812	-	-	-	(14,812)
Highways and Public Works	42,340	-	-	242,291	199,951
Parks and Recreation	32,846	10,456	-	-	(22,390)
Total Primary Government	416,476	107,986	-	242,291	(66,199)
General Revenues:					
	Property Tax				117,940
	Sales and Use Tax				43,808
	Franchise Tax				7,222
	State Liquor Tax				47
	Unrestricted Investment Earnings				108,959
	Total General Revenues				277,976
	Change in Net Assets				211,777
	Net Assets - Beginning				5,266,243
	Net Assets - Ending				\$ 5,478,020

See accompanying notes to the financial statements

TOWN OF VINEYARD
Balance Sheet
Governmental Funds
June 30, 2006

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 455,635	\$ 1,905,827	\$ 2,361,462
Receivables (net):	229,261	-	229,261
Total Assets	<u>\$ 684,896</u>	<u>\$ 1,905,827</u>	<u>\$ 2,590,723</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 23,667	\$ -	\$ 23,667
Payroll Liabilities	5,463	-	5,463
Deferred Revenue	211,117	-	211,117
Deposits	25,000	-	25,000
Total Liabilities	<u>265,247</u>	<u>-</u>	<u>265,247</u>
Fund Balances:			
Reserved for:			
Class C Roads	36,017	-	36,017
Unreserved, reported in:			
General Fund	383,632	-	383,632
Capital Projects Fund	-	1,905,827	1,905,827
Total Fund Balances	<u>419,649</u>	<u>1,905,827</u>	<u>2,325,476</u>
Total Liabilities and Fund Balances	<u>\$ 684,896</u>	<u>\$ 1,905,827</u>	<u>\$ 2,590,723</u>

See accompanying notes to the financial statements

TOWN OF VINEYARD
Balance Sheet Reconciliation to
Statement of Net Assets
June 30, 2006

Total Governmental Funds Balances	\$ 2,325,476
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,136,605
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Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>15,939</u>
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Total Net Assets of Governmental Activities	<u><u>\$ 5,478,020</u></u>
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See accompanying notes to the financial statements

TOWN OF VINEYARD
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 166,625	\$ -	\$ 166,625
Licenses and Permits	14,265	-	14,265
Intergovernmental	22,338	-	22,338
Charges for Services	93,160	-	93,160
Miscellaneous	109,520	-	109,520
Total Revenues	<u>405,908</u>	<u>-</u>	<u>405,908</u>
EXPENDITURES			
Current:			
General Government	318,123	23,257	341,380
Public Safety	14,812	-	14,812
Highways and Public Works	2,758	513,445	516,203
Parks and Recreation	36,196	10,619	46,815
Total Expenditures	<u>371,889</u>	<u>547,321</u>	<u>919,210</u>
Excess (Deficit) of Revenues Over (Under)			
Expenditures	34,019	(547,321)	(513,302)
OTHER FINANCING SOURCES (USES)			
Contributions	220,000	-	220,000
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
Total Other Financing Sources (Uses)	<u>220,000</u>	<u>-</u>	<u>220,000</u>
Net Change in Fund Balances	254,019	(547,321)	(293,302)
Fund Balances - Beginning	165,630	2,453,148	2,618,778
Fund Balances - End	<u>\$ 419,649</u>	<u>\$ 1,905,827</u>	<u>\$ 2,325,476</u>

See accompanying notes to the financial statements

TOWN OF VINEYARD
Statement of Changes Reconciliation to
Statement of Activities
For the Year Ended June 30, 2006

Net Change in Fund Balances of Governmental Funds	\$(293,302)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	502,734
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	<u>2,345</u>
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Change in net assets of governmental activities	<u><u>\$ 211,777</u></u>
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See accompanying notes to the financial statements

TOWN OF VINEYARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Vineyard (the Town) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

Reporting Entity

The Town of Vineyard was incorporated on May 11, 1989. The Town operates under an elected Mayor-Council form of government.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

TOWN OF VINEYARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred, except for expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenue when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the Town receives cash.

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for financial resources used for the acquisition or construction of major capital improvements.

The Town has no proprietary funds.

As a general rule, the effect of inter-fund activity has been eliminated from the government financial statements.

Assets, Liabilities, and Net Assets or Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. Town policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's

TOWN OF VINEYARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the Town's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Restricted Assets

Cash, which is restricted to a particular use due to statutory, budgetary or bonding requirements, is classified as "restricted cash" on the Statement of Net Assets and on the Balance Sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

C. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and structures	30-50
Infrastructure	20-40
Improvements Other Than Buildings	15-25
Machinery and equipment	5-10

TOWN OF VINEYARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

D. Taxes

In Utah, county governments assess, levy, collect and disburse two principal types of tax: (1) personal property tax which is assessed on business assets other than real estate, and (2) tax on real estate and improvements. Business personal property and real estate taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on all business personal property on January 1st and real estate and improvement taxes are levied on January 1st and are payable by November 30th. The real property taxes that are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

The Town Council is authorized by state statute to levy a tax against all real and personal property located within its boundaries. The Council must set a tax rate by June 22nd each year. The County Treasurer, acting as a tax collector, must settle and disburse all tax collections to all taxing entities on a routine basis.

E. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

G. Use of Estimates

Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues and expenses. Actual results may vary from these estimates.

TOWN OF VINEYARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets.

This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$3,906,919
Accumulated depreciation	(770,314)
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>)	<u>\$3,136,605</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

Capital outlay	\$ 549,988
Depreciation expense	(47,254)
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 502,734</u>

TOWN OF VINEYARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Another element of that reconciliation states that certain revenues reported in the statement of activities were not provided for use as current financial resources and are, therefore, not reported as revenues in the governmental funds. The net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities* is as follows:

Delinquent Property Taxes

(\$ 2,345)

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the Town. Budgets are adopted on a basis consistent with generally accepted accounting principles. Although Utah State Law requires the initial preparation of budgets for all Town funds, it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

The Town adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. On or before the first regularly scheduled meeting of the Town Council in May, the Town administrator, authorized under state statute to be appointed budget officer, submits a proposed operation budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22nd, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1st.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The Town Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The Town Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.

TOWN OF VINEYARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

- F. A public hearing as required in B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to reappropriation. Therefore, no encumbrances are presented in the financial statements.

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENT

The Town maintains a cash and investment pool that is available for use by all funds. At June 30, 2005 the Town's cash balance consisted of the following:

Cash, Cash Equivalents, and Temporary Cash Investments	\$2,361,462
Cash, and Cash Equivalents - Restricted	<u>-</u>
Total Cash and Equivalents	<u>\$2,361,462</u>

While the Town's carrying amount of deposits was (\$8,192), the balance in the Town's bank account and cash on hand was \$18,106 with the difference being due to outstanding checks.

Deposits and Investments

Deposits and investments for the Town are governed by the Utah Money Management Act (the Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of The Town's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be recovered. The Town's policy for managing custodial credit risk is to adhere to the Act. The Act requires all deposits of the Town to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council. As of June 30, 2006 all of the Town's bank balance of \$18,106 was insured and collateralized.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Town's policy for limiting the credit risk of investments is to comply with the Act.

TOWN OF VINEYARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

The Town is authorized to invest in the Utah Public Treasurers Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on a amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balances.

For the year ended June 30, 2006, the local governments had investments of \$2,369,654 with the PTIF. The entire balance had a maturity of less than one year. The PTIF fund has not been rated.

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

NOTE 5 - RECEIVABLES

Receivables as of year end for the government's general fund, including the applicable allowances for uncollectible accounts, consist of the following:

Receivables:	
Property Tax	\$ 213,305
Class C Road	4,006
Sales Tax	<u>11,950</u>
Total Receivable	<u>\$ 229,261</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	\$ 211,117	\$ -

TOWN OF VINEYARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 1,430,388			\$ 1,430,388
Water Stock	399,952			399,952
Construction in Progress		505,446		505,446
Total capital assets not being depreciated	<u>1,830,340</u>	<u>-</u>	<u>-</u>	<u>2,335,786</u>
Capital assets being depreciated:				
Buildings	538,369	29,340		567,709
Machinery and equipment	16,245			16,245
Improvements other than Buildings	24,496	15,202		39,698
Infrastructure	<u>947,481</u>			<u>947,481</u>
Total capital assets being depreciated	<u>1,526,591</u>	<u>44,542</u>	<u>-</u>	<u>1,571,133</u>
Less accumulated depreciation for:				
Buildings	158,344	13,924		172,268
Machinery and equipment	15,732	513		16,245
Improvements O/T Buildings	7,767	1,233		9,000
Infrastructure	<u>541,217</u>	<u>31,584</u>		<u>572,801</u>
Total accumulated depreciation	<u>723,060</u>	<u>47,254</u>	<u>-</u>	<u>770,314</u>
Total capital assets, being depreciated, net	<u>803,531</u>	<u>(2,712)</u>	<u>-</u>	<u>800,819</u>
Governmental activities capital assets, net	<u>2,633,871</u>	<u>(\$ 2,712)</u>	<u>-</u>	<u>\$ 3,136,605</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 14,437
Public safety	-
Public Works	31,584
Parks and Recreation	<u>1,233</u>
	<u>\$ 47,254</u>

TOWN OF VINEYARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 7 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2006, expenditures in the following funds exceeded appropriations:

General Fund:	\$ 154,639
Capital Projects Fund:	\$ 360,321

NOTE 8 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Utah Local Governments Trust (a public entity risk pool). All claims are submitted to the Utah Local Governments Trust that acts as a commercial insurer. The Trust covers claims up to \$2,000,000. The Town has not incurred a claim in excess of its coverage for any of the past three fiscal years

NOTE 9 - RELATED PARTY

The mayor of the Town owns and operates a maintenance company. During 2006, the town paid the company \$24,865 for services rendered to the Town.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF VINEYARD
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Totals</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ 153,000	\$ 153,000	\$ 166,625	\$ 13,625
Licenses and Permits	25,500	25,500	14,265	(11,235)
Intergovernmental	20,040	20,040	22,338	2,298
Charges for Services		-	93,160	93,160
Miscellaneous	14,300	14,300	109,520	95,220
Total Revenues	<u>212,840</u>	<u>212,840</u>	<u>405,908</u>	<u>193,068</u>
EXPENDITURES				
Current:				
General Government	144,200	144,200	318,123	(173,923)
Public Safety	27,200	27,200	14,812	12,388
Highways and Public Works	20,000	20,000	2,758	17,242
Parks and Recreation	25,850	25,850	36,196	(10,346)
Total Expenditures	<u>217,250</u>	<u>217,250</u>	<u>371,889</u>	<u>(154,639)</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>(4,410) -</u>	<u>(4,410)</u>	<u>34,019</u>	<u>38,429</u>
OTHER FINANCING SOURCES (USES)				
Excess Beg. Fund Bal. To be Appropri.				
Contributions			220,000	220,000
Operating Transfers In			-	-
Operating Transfers (Out)	<u>(3,590)</u>	<u>(3,590)</u>	<u>-</u>	<u>3,590</u>
Total Other Financing Sources (Uses)	<u>(3,590)</u>	<u>(3,590)</u>	<u>220,000</u>	<u>3,590</u>
Net Change in Fund Balance	<u>(8,000)</u>	<u>(8,000)</u>	<u>254,019</u>	<u>42,019</u>
Fund Balances - Beginning	<u>165,630</u>	<u>165,630</u>	<u>165,630</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 157,630</u>	<u>\$ 157,630</u>	<u>\$ 419,649</u>	<u>\$ 42,019</u>

See accompanying notes to the financial statements

OTHER REPORTS

GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H. PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA
ROBERT PHELPS, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Council
Town of Vineyard
Vineyard, UT

December 20, 2006

We have audited the financial statements of the governmental activities and each major fund of the Town of Vineyard as of and for the year ended June 30, 2006, which collectively comprise the Town of Vineyard's basic financial statements and have issued our report thereon dated December 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

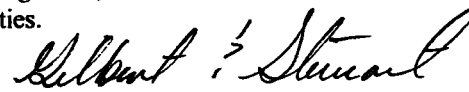
In planning and performing our audit, we considered the Town of Vineyard's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Vineyard's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Vineyard in a separate letter dated December 20, 2006.

This report is intended solely for the information and use of management, Utah State Auditor, and pass-through entities and should not be used by anyone other than these specified parties.



GILBERT & STEWART
Certified Public Accountants

GILBERT & STEWART

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JAMES E. STEWART, CPA
ROBERT PHELPS, CPA

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE WITH APPLICABLE UTAH STATE LAWS AND REGULATIONS

Honorable Mayor and Town Council
Town of Vineyard
Vineyard, UT

December 20, 2006

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Vineyard for the year ended June 30, 2006, and have issued our report thereon dated December 20, 2006. As part of our audit, we have audited the Town of Vineyard's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major state assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)
Liquor Funds (Utah State Tax Commission)

The Town received no nonmajor grants during the year.

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt	Liquor Law Enforcement
Cash Management	B & C Road Funds
Purchasing Requirements	Other Compliance Requirements
Budgetary Compliance	Department of Commerce - Building Permits
Property Tax	

The management of the Town of Vineyard is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Town of Vineyard complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2006.

However, we noted certain instances of noncompliance which we communicated to management in a separate letter to management dated December 20, 2006.

This report is intended solely for the information and use of management, Utah State Auditor, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART

Certified Public Accountants

**TOWN OF VINEYARD
MANAGEMENT LETTER**

JUNE 30, 2006

GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, C.P.A.
LYNN A. GILBERT, C.P.A.
JAMES A. GILBERT, C.P.A.
BEN H. PROBST, C.P.A.

SIDNEY S. GILBERT, C.P.A.
JAMES E. STEWART, C.P.A.

190 WEST 800 NORTH
SUITE 100
PROVO, UTAH 84601
TELEPHONE (801) 377-5300
FAX (801) 373-5622

December 20, 2006
Honorable Mayor and Town Council
Town of Vineyard
Vineyard, UT

We have audited the financial statements of Town of Vineyard for the year ended June 30, 2006 and have issued our report thereon dated December 20, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Town of Vineyard. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town of Vineyard's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

This letter is issued as required by Statement on Auditing Standards No. 61, "Communications with audit committees", which requires auditors to determine the certain matters related to the conduct of an audit are communicated to those who have responsibility for the oversight of the financial reporting process.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Town of Vineyard are described in Note 1 to the

financial statements. No new accounting policies or procedures were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Town of Vineyard during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Town of Vineyard's financial reporting process. In our judgment, none of the adjustments we proposed whether recorded or unrecorded by the Town, either individually or in the aggregate, indicate matters that could have a significant effect on the Town's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the

Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Utah State Compliance

Utah State Legal Compliance Findings - Current Year:

06-1 General Compliance - Budgetary Compliance

Finding: Utah State law prohibits the Town from incurring expenditures in excess of those budgeted. We noted the Town had expenditures in excess of appropriations as follows:

<u>General Fund</u>	
General Government	\$ 173,923
Parks and Recreation	<u>10,346</u>
	<u>\$ 184,269</u>

<u>Capital Projects Fund</u>	<u>\$360,321</u>
------------------------------	------------------

Recommendation: We recommend that the Town monitor and make adjustments via a public hearing during and at the end of the year to adjust budgets to be in compliance with the law.

City's Response: We concur with the finding and will make proper budget adjustments.

Utah State Legal Compliance Findings - Prior Year:

05-1 General Compliance - Budgetary Compliance

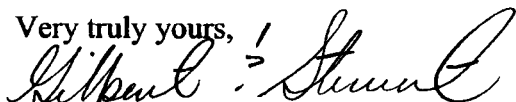
Finding: Utah State law prohibits the Town from incurring expenditures in excess of those budgeted. We noted the Town had expenditures in excess of appropriations as follows:

<u>General Fund</u>	
General Government	\$ 22,997
Parks and Recreation	<u>549</u>
	<u>\$ 23,546</u>

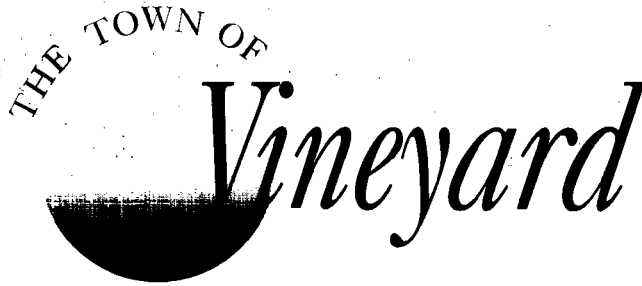
Current Status: See current year findings 2006-1.

This information is intended solely for the use of the management of the Town of Vineyard, and is not intended and should not be used by anyone other than these specified parties.

Very truly yours, /

A handwritten signature in cursive script, appearing to read "Gilbert & Stewart", written over a horizontal line.

GILBERT & STEWART
Certified Public Accountants



May 14, 2007

State of Utah Office of the State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
P.O. Box 142310
Salt Lake City, UT 84114-2310

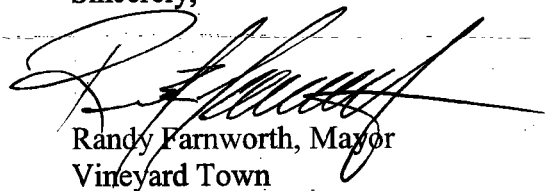
Re: Budgetary Compliance Corrective Action Plan

Dear Mr. Curtis,

In response to the letter received regarding budgetary compliance, I and the Vineyard Town Council are responsible for adopting and amending the budget for the Town of Vineyard. We expect to remedy the issues of budgetary compliance by June 13, 2007 to ensure that the municipal budget is within state guidelines.

We are on the verge of experiencing major growth and anticipate budgets extremely different than what we have previously experienced. Although some of the anticipated expenditures and revenues will possibly change, we understand the importance of having a balanced budget and will put more emphasis on amending our budget as needed.

Sincerely,



Randy Farnworth, Mayor
Vineyard Town

cc: Sean Fernandez, Town Council
Grant Holdaway, Town Council
Norm Holdaway, Town Council
Nathan Riley, Town Council
David Church, Town Attorney